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FEB 27 2003

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

February 27, 2003

Marlene H. Dortch  
Office of the Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
Washington, DC 20554

**Re: Federal-State Joint Board on Universal Service, CC Docket 96-45; and CC Dockets 98-171, 90-571, 92-237, 99-200, 95-116, 98-170**

Dear Ms. Dortch:

I am writing this letter to express concern regarding proposed reforms to the contribution methodology for universal service. My understanding is that the Federal Communications Commission (FCC) is considering an alternative funding methodology that would significantly change the current system. Presently, telecommunications firms are required to use a percentage of their interstate revenue to support the Universal Service Fund (USF). The new proposal suggests shifting that system to one based on connections -- meaning **USF contributions would be based on a flat monthly connection fee.**

The NAACP's principal objective is to ensure the political, educational, social and economic equality for racial and ethnic minority groups of United States and to eliminate race prejudice. As such, it is clear that all consumers regardless of their income level; where they work, study or reside should have access to affordable and robust telecommunications services. The USF has been instrumental in ensuring that all Americans have access to affordable, comprehensive telecommunications services, particularly consumers in high-cost service areas, low-income consumers, schools, libraries and rural health providers. Many of the consumers who benefit from the USF are our constituents.

Currently, the USF contribution assessment methodology is revenue-based, which means that telecommunications providers have a fairly equitable and competitively neutral means of being assessed. However, if this methodology is changed to the aforementioned connection-based approach, consumers who make few or no interstate calls would be assessed the same as consumers, especially businesses, who make more interstate calls. This means low-volume and primarily residential customers would unfairly bear the burden of contributing to the universal service fund. In addition, telephone providers who service the low-volume population will be at a competitive disadvantage under a connection-based methodology. This is neither equitable nor competitively neutral.

As a result, I fear fewer providers and limited options will be available to low-volume customers. I urge the Commission to take a closer look at how consumers who utilize product such as pre-paid wireless services would be adversely affected by the connection-based proposals. I believe it's important to note that others providing comments, such as Consumers Union and the National Association of State Utility Consumer Advocates point out that a connection-based assessment methodology is particularly harmful to low-volume consumers. Furthermore, under this newly proposed funding methodology, more than one wireless provider acknowledged that the cost of wireless service would increase for low-volume users.

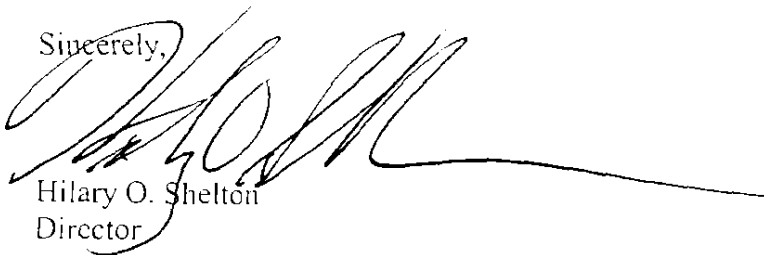
It is of special interest in this proceeding because pre-paid wireless providers offer a unique service to portions of the African American community, including: low-income users or young people who cannot meet credit or security deposit requirements; migrant and seasonal workers without a pennant address; people who are unwilling to enter into a long-term contractual commitment; senior citizens or public assistance recipients who are on a fixed incomes; individuals who want to control their telephone costs; and women and others who use them primarily for emergency or security purposes

Whereas in the past, wireline telephone service was considered a fundamental utility for all Americans, wireless telephion service is fast becoming a supplemental mode of basic communication among family members, friends and business associates. Consequently, ensuring low-income and low volume interstate consumers have affordable access to wireless telephone service is an important objective. That is why the FCC must do everything in its authority to ensure that changes to the universal service funding mechanism do not inadvertently raise the cost of telephone service at the expense of consumers such as those mentioned above.

Finally, I urge the FCC to move cautiously with reforms to the universal service funding methodology and to reject this particular concept of a connection-based merhodology. **As** always, we welcome the opportunity to assist the FCC and the industry with constructing viable solutions to emerging challenges in the telecommunications arena.

If there is anything else I can do to help advance this process, I can be reached by telephone at (202) 638-2269.

Sincerely,



Hilary O. Shelton  
Director